

# **WASHINGTON STATE**

**2003-05**

## **BUDGET & REVENUE PREVIEW**

Presentation by the  
Senate Ways and Means Committee Staff  
January 2003

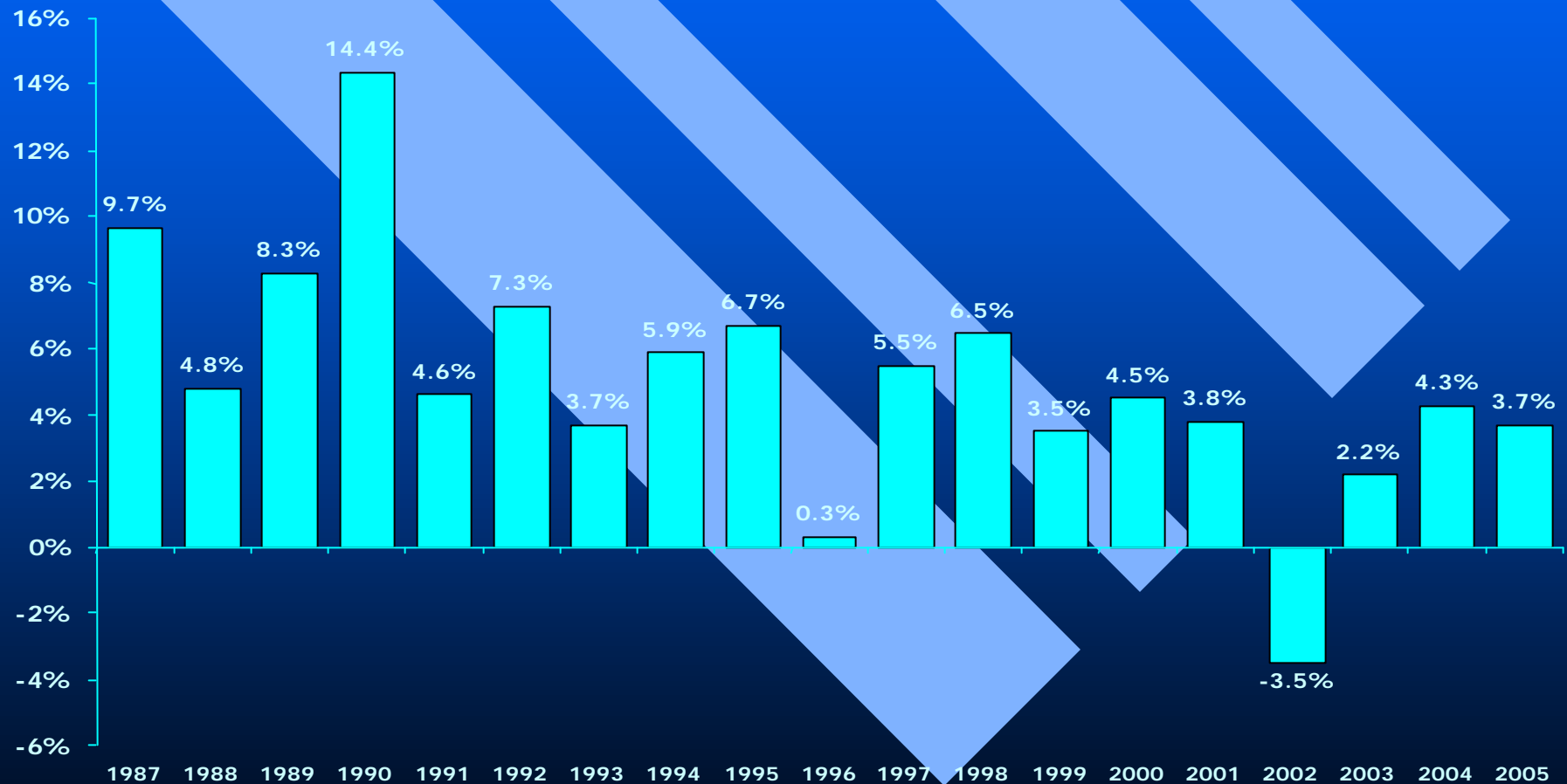
<http://wsl.leg.wa.gov/senate/scs/wm>

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# **PART 1**

## **REVENUE OUTLOOK**

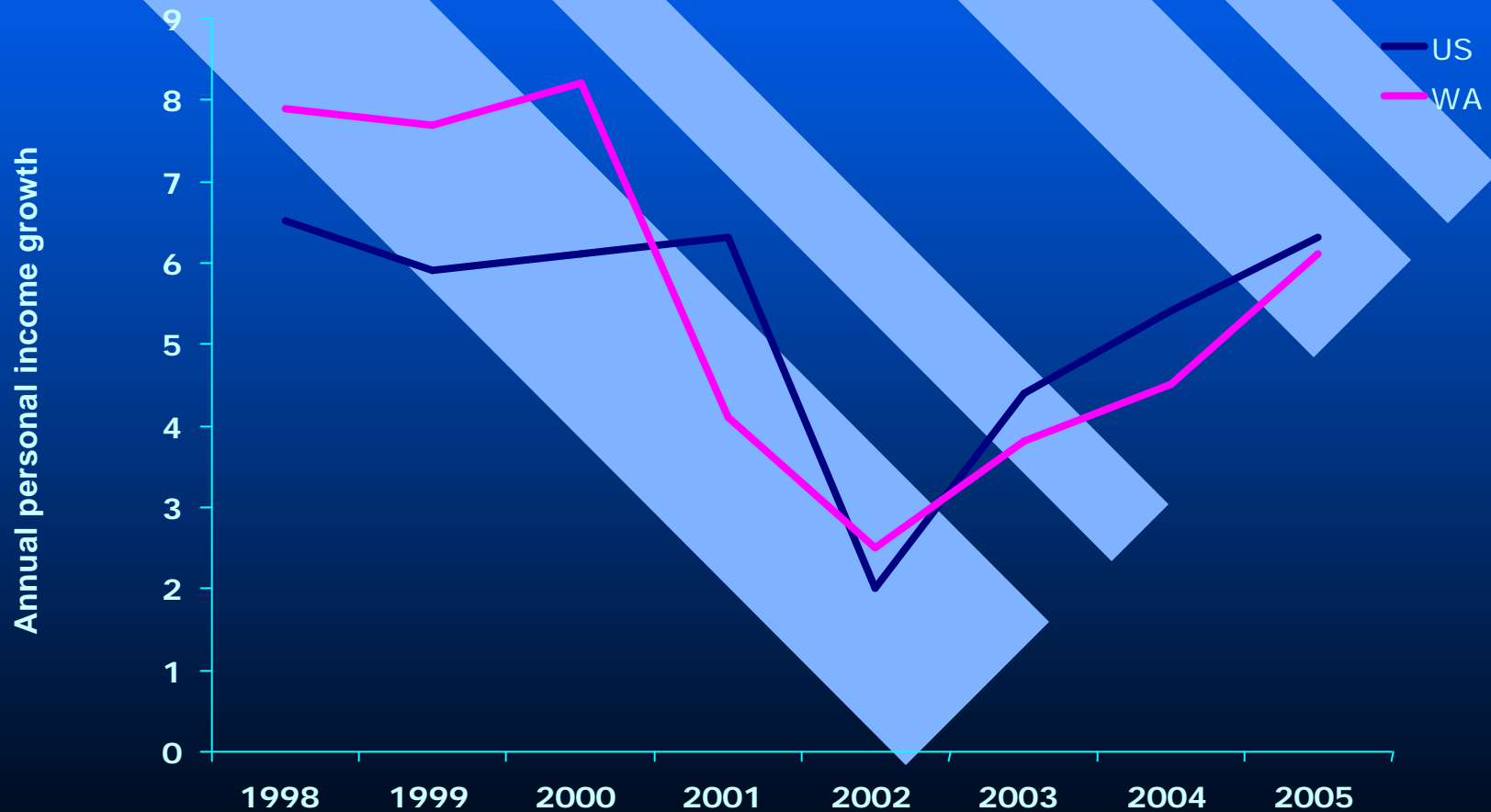
# General Fund Collections in FY 2002 Were Less than FY 2001



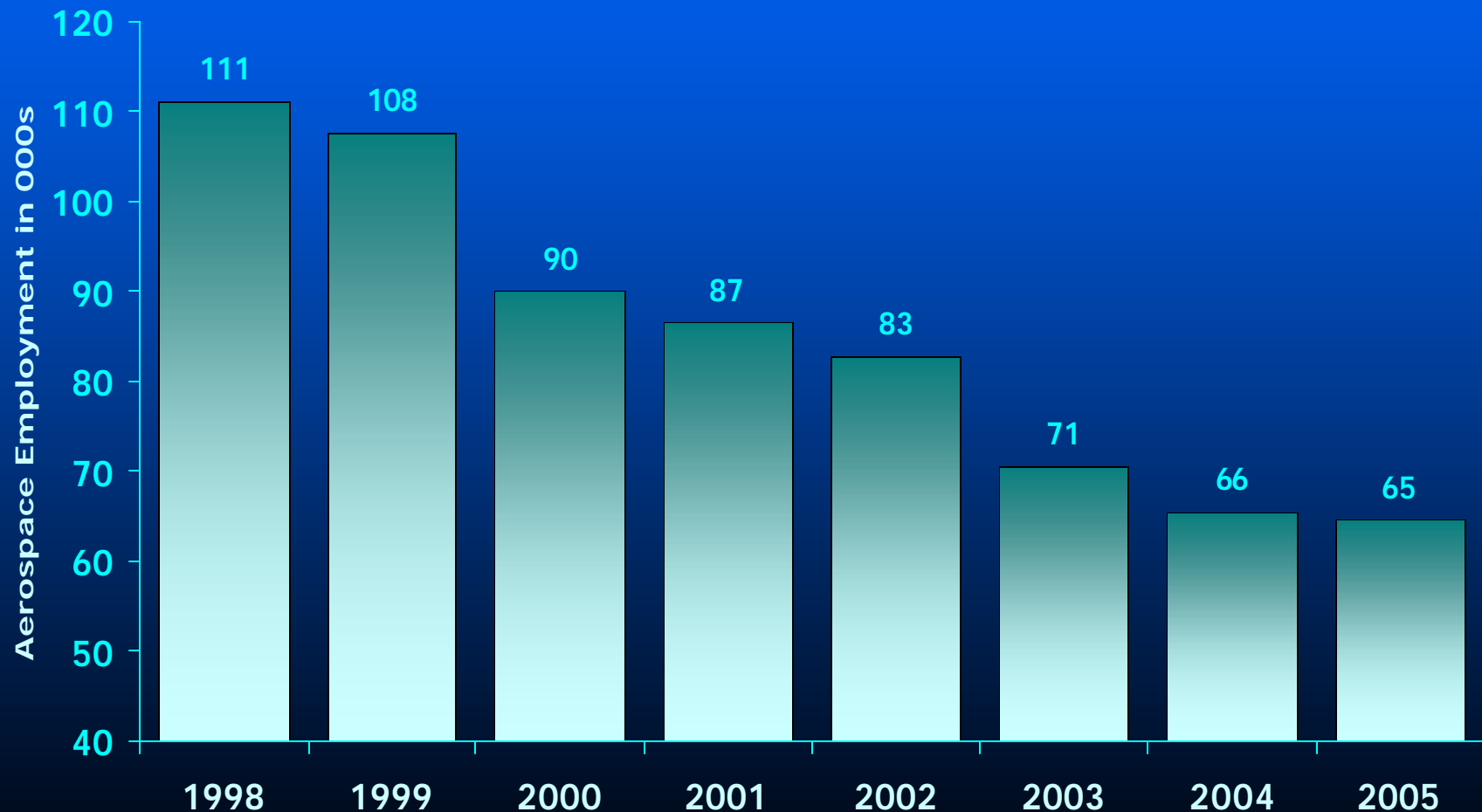
# Several Factors Have Led to the Decline in Forecasted Revenue

- **September 11<sup>th</sup> and Boeing Layoffs**: The terrorist attacks lead to decreased demand for air travel and 30,000 layoffs in Boeing's commercial airplane division. This exacerbated an already deteriorating economic picture.
- **Tax Reduction Measures**: The Legislature has enacted a number of significant tax cuts since 1995. The tax increases of 1993 have been largely repealed; a major property tax cut was enacted in 1997 (Referendum 47); the motor vehicle excise tax was repealed in 2000, and a number of exemptions designed to promote economic development were passed.
- **Voter Approved Initiatives**: The voters have enacted several measures which reduced state revenues, such as Initiative 728 (diversion of property tax revenue to school districts) and Initiative 747 (property tax limitation).

# Our Economy was Growing Faster, has Dropped More Suddenly and Will Return More Slowly than the U.S. Economy



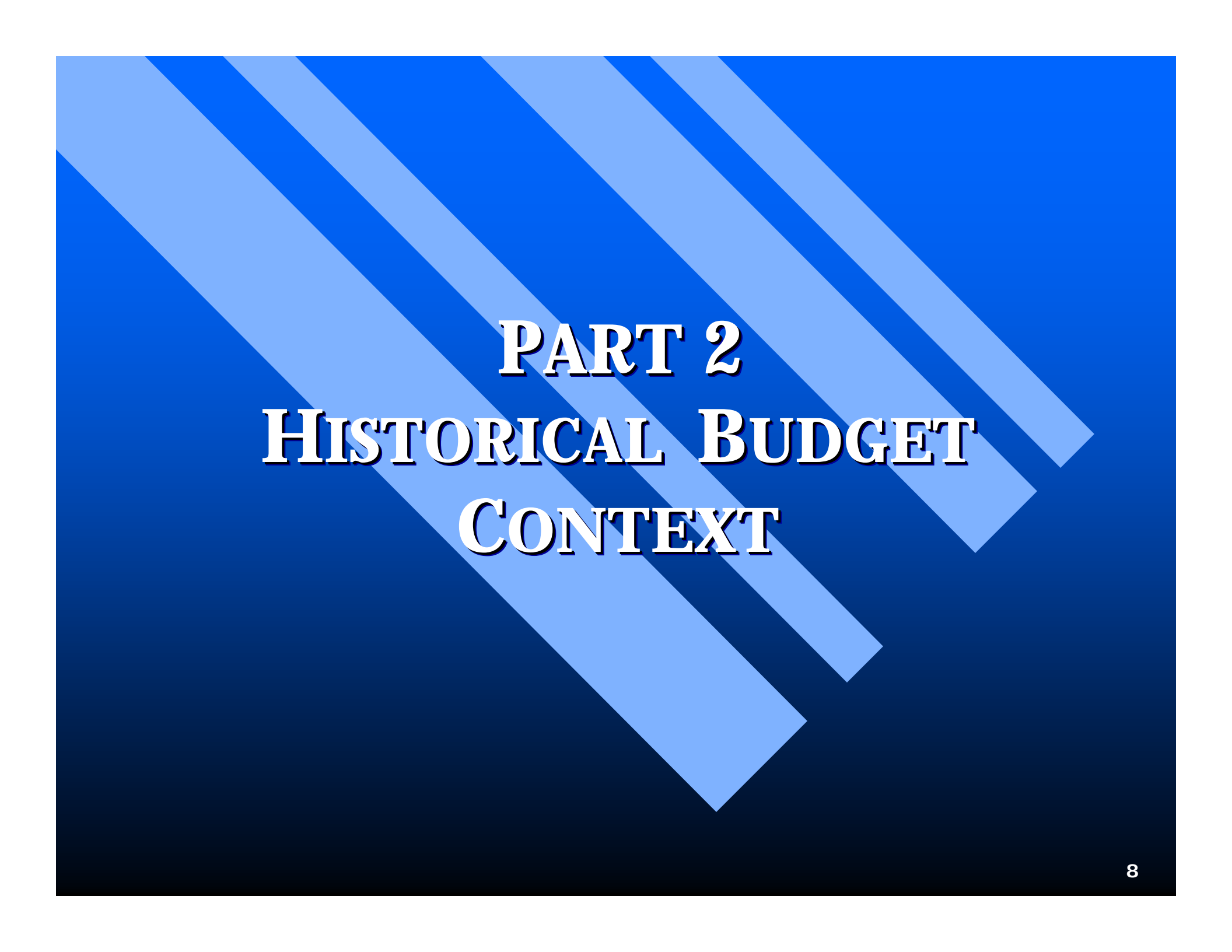
# Aerospace Employment was Declining Even Before September 11th



# Long Term Revenue Outlook

Biennium	GF Revenue	Growth
1997-99	\$19,620	
1999-01	\$21,262	8.4%
2001-03	\$21,126	-0.6%
2003-05	\$22,690	7.4%
2005-07*	\$24,865	9.6%

\* Assumes "average" revenue growth of 5% per year.



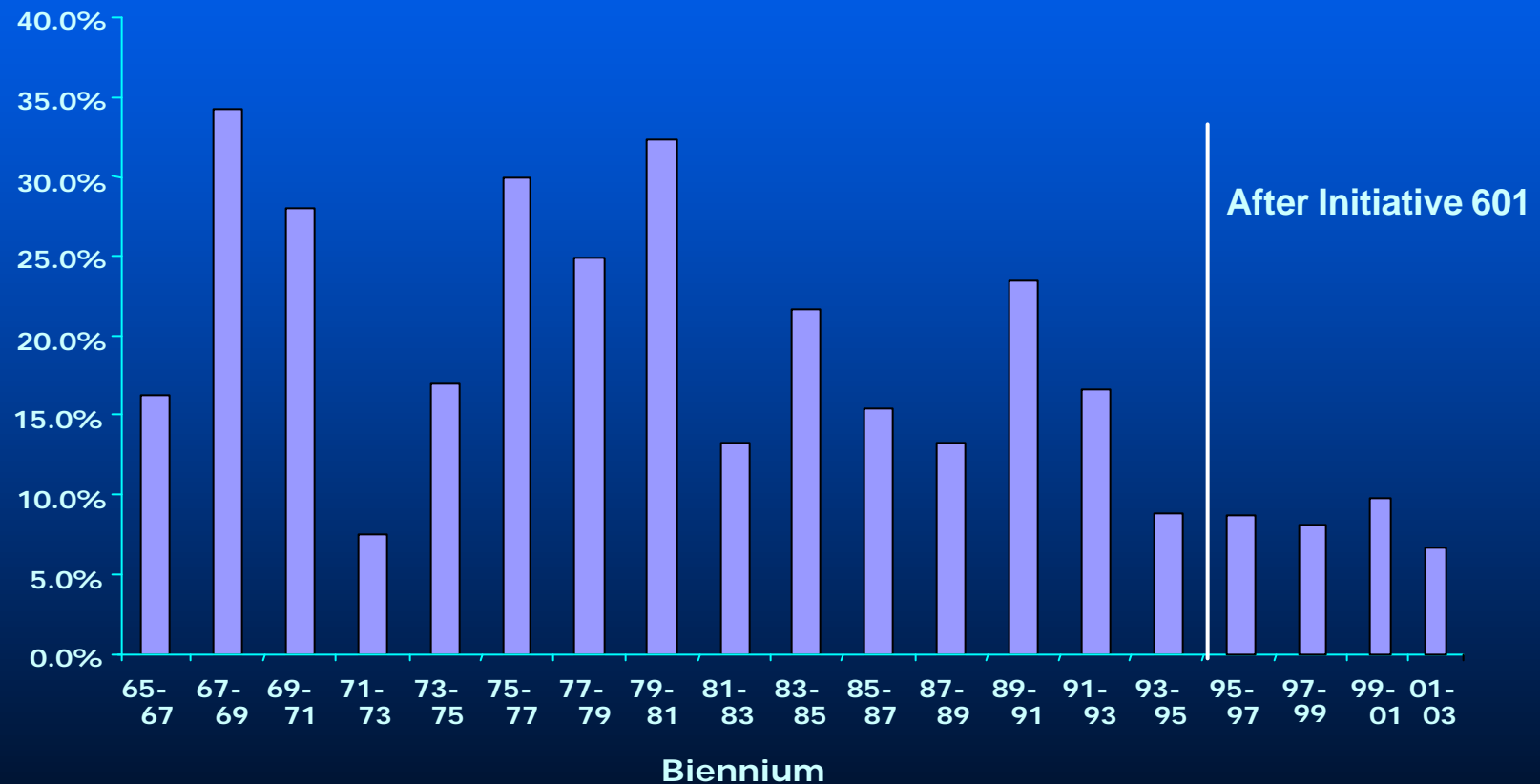
# **PART 2**

# **HISTORICAL BUDGET**

# **CONTEXT**

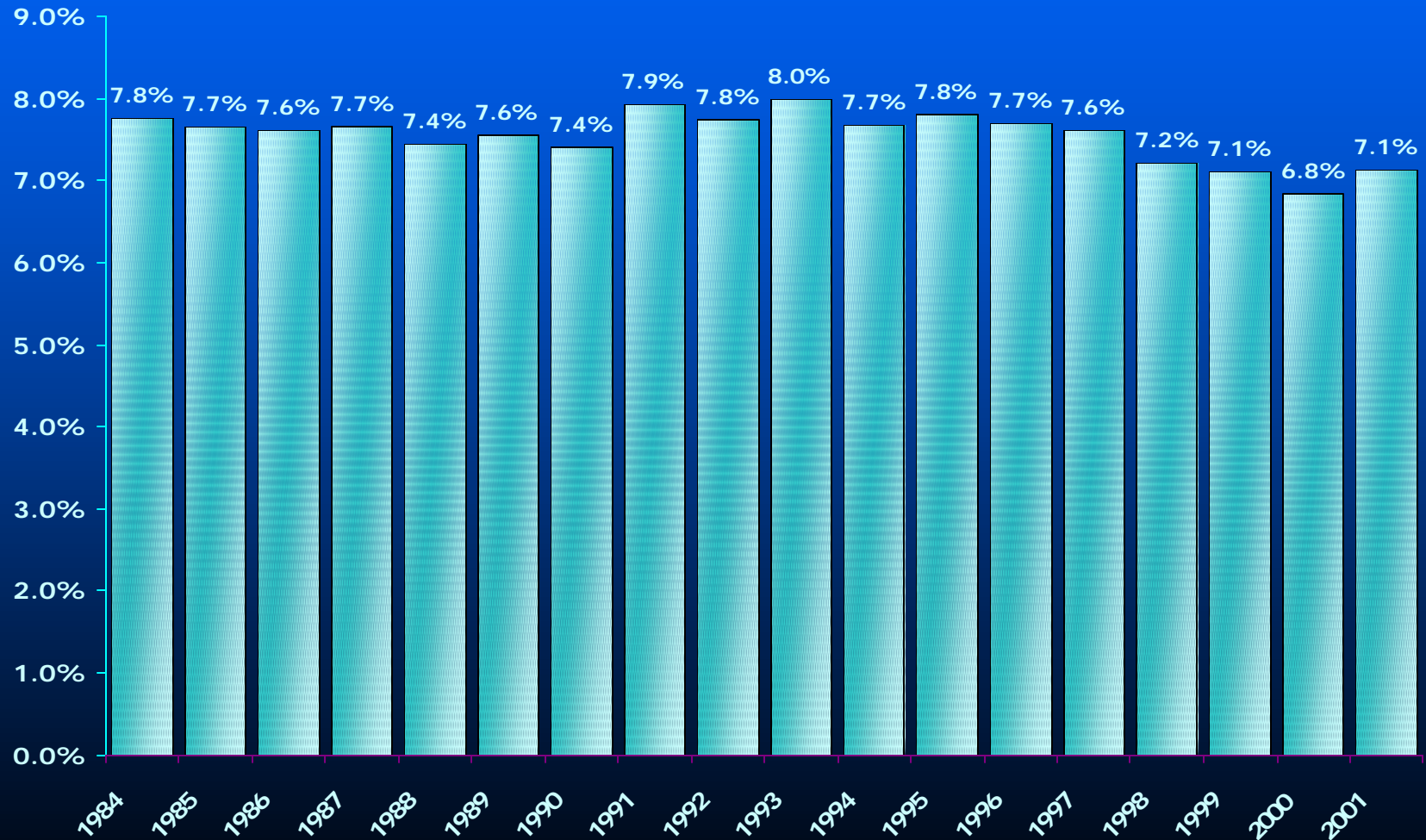


# The Growth in General Fund Spending Today is Historically Low



# Total State Expenditures are Stable and a Slightly Smaller Share of the State Economy

State Spending as a Percentage of the Economy

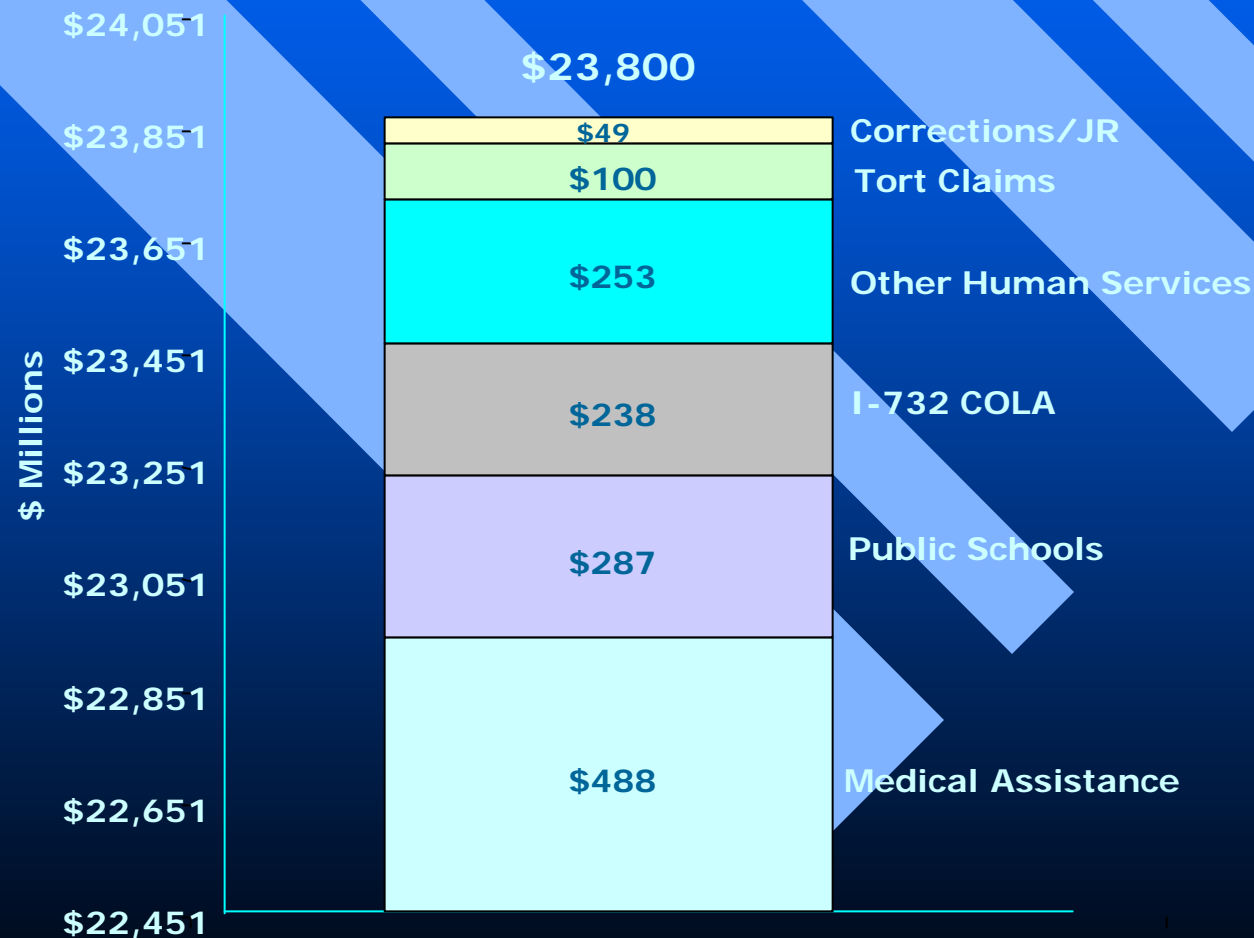


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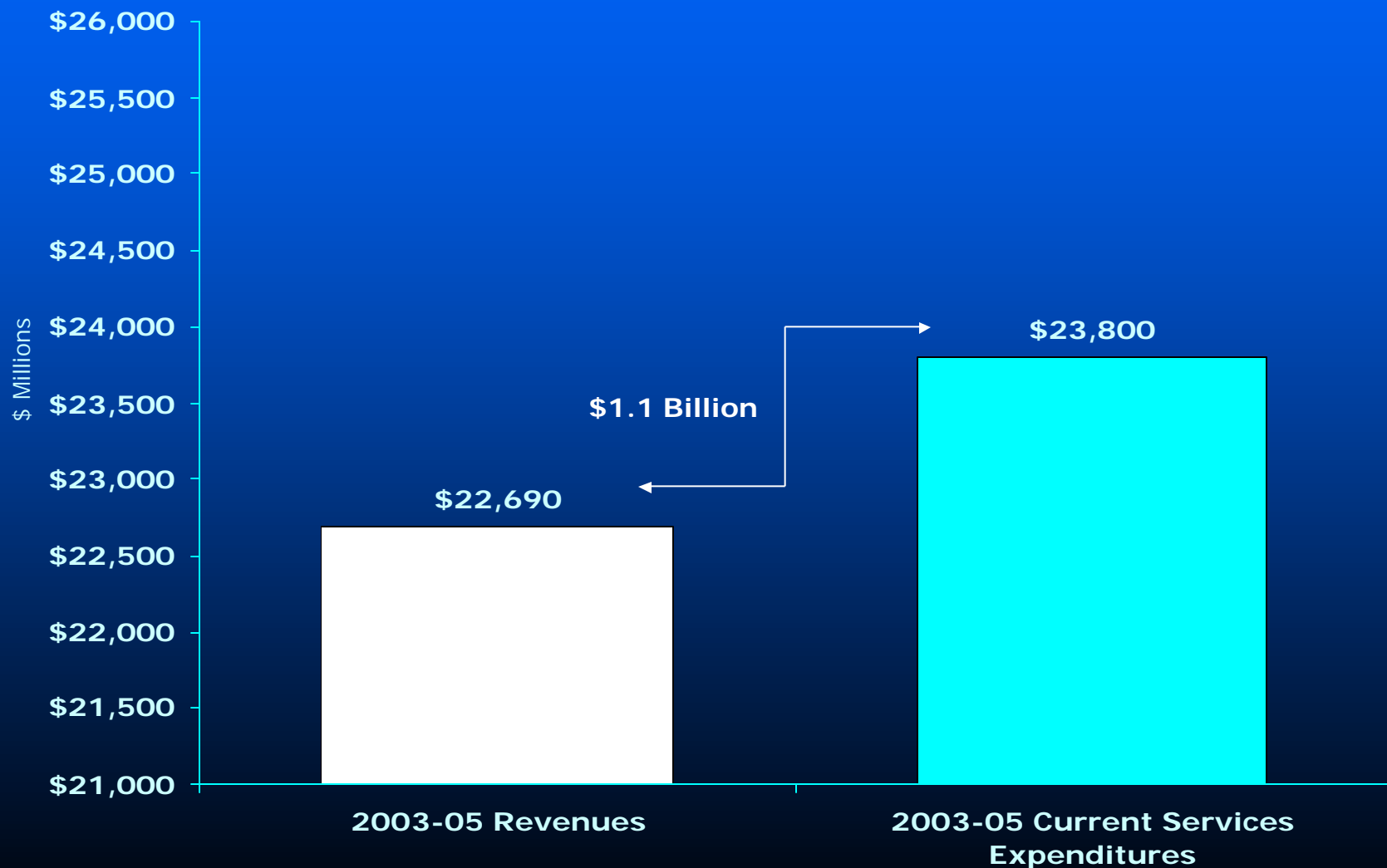
# **PART 3**

## **2003-05 BUDGET PROSPECTS**

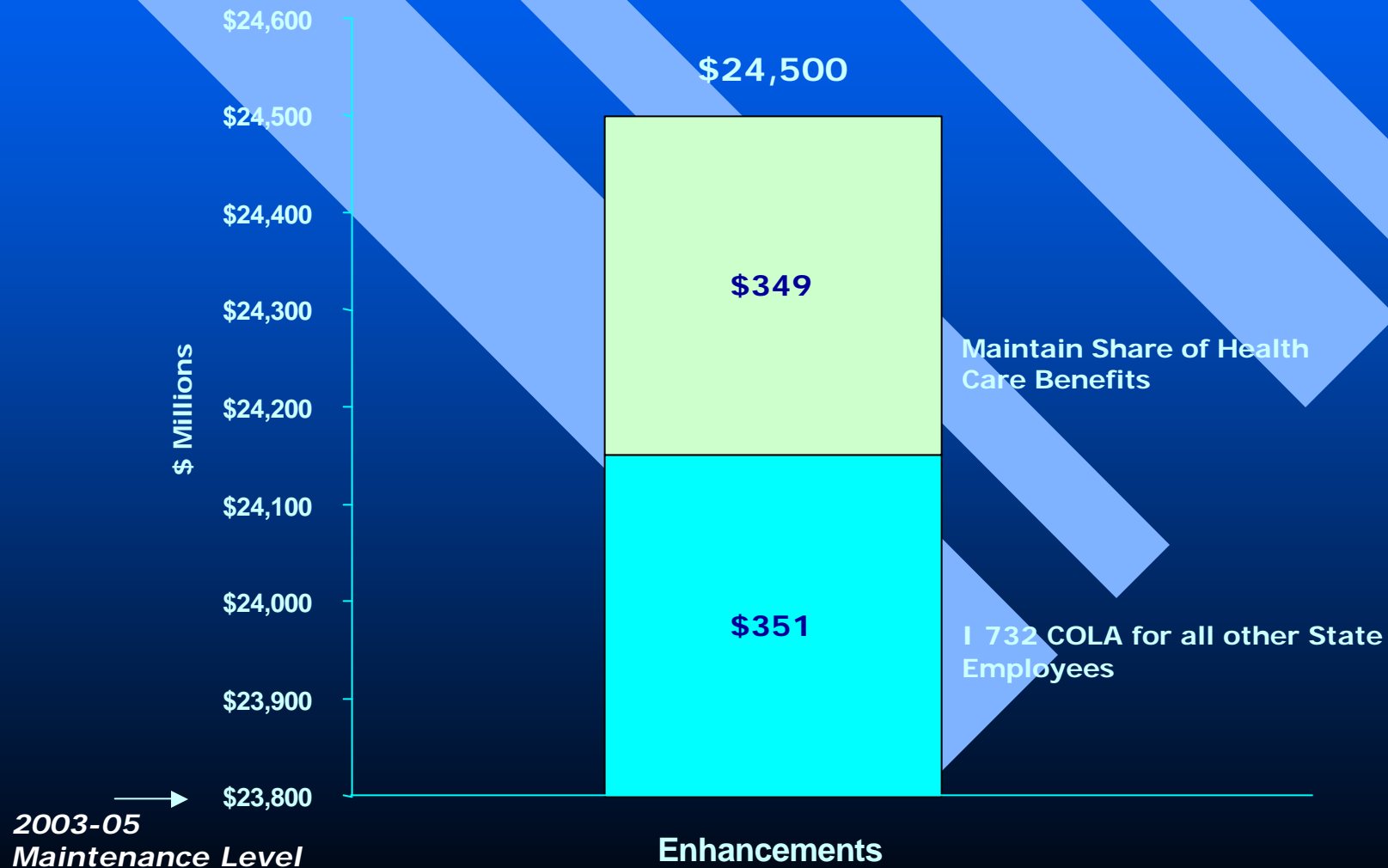
# The 2003-05 General Fund Budget Will Need to Increase by \$1.6 Billion just to Maintain Current Services



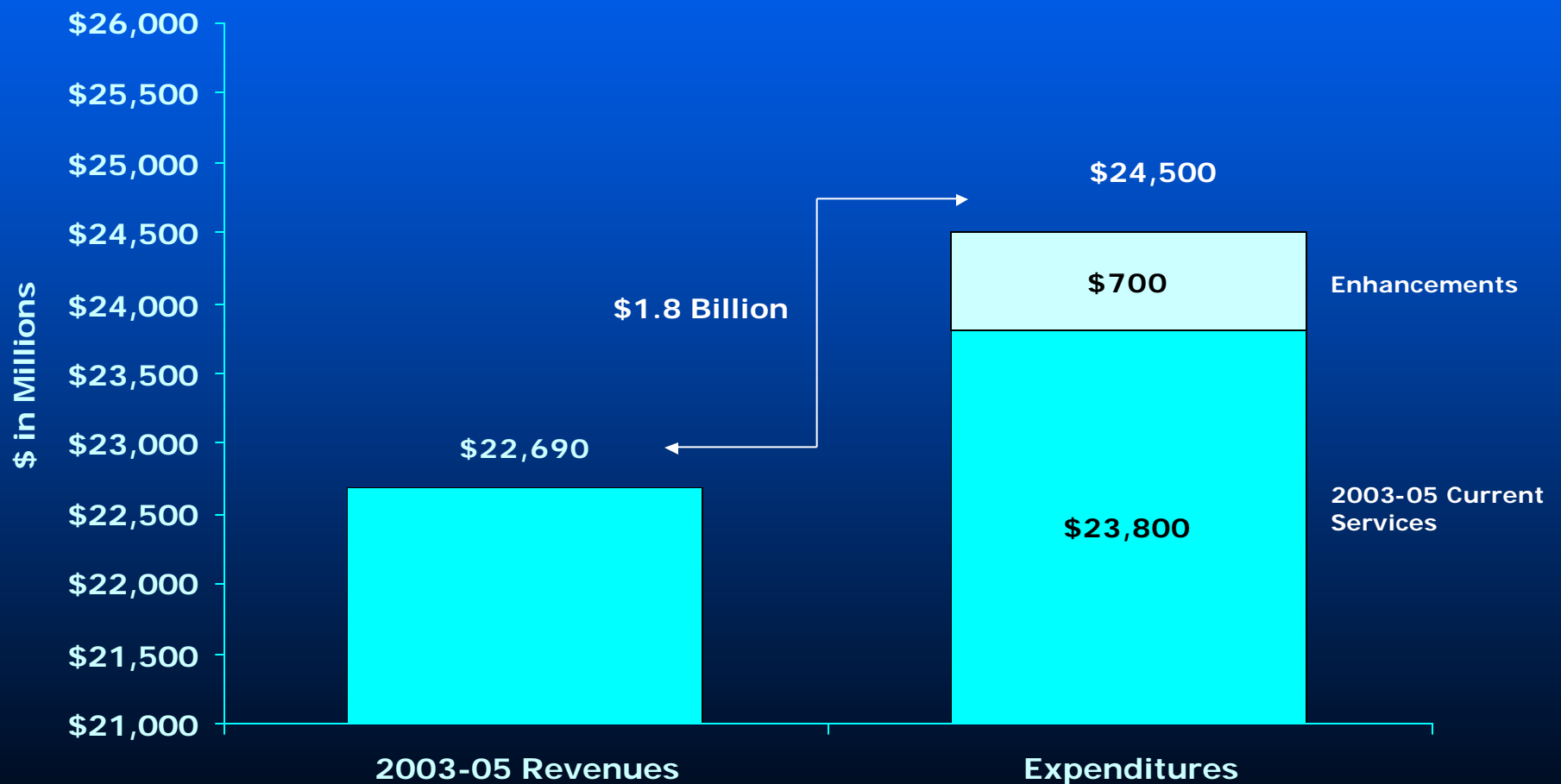
# The 2003-05 Budget Problem is \$1.1 Billion if the Legislature Just Enacts a Current Services Budget

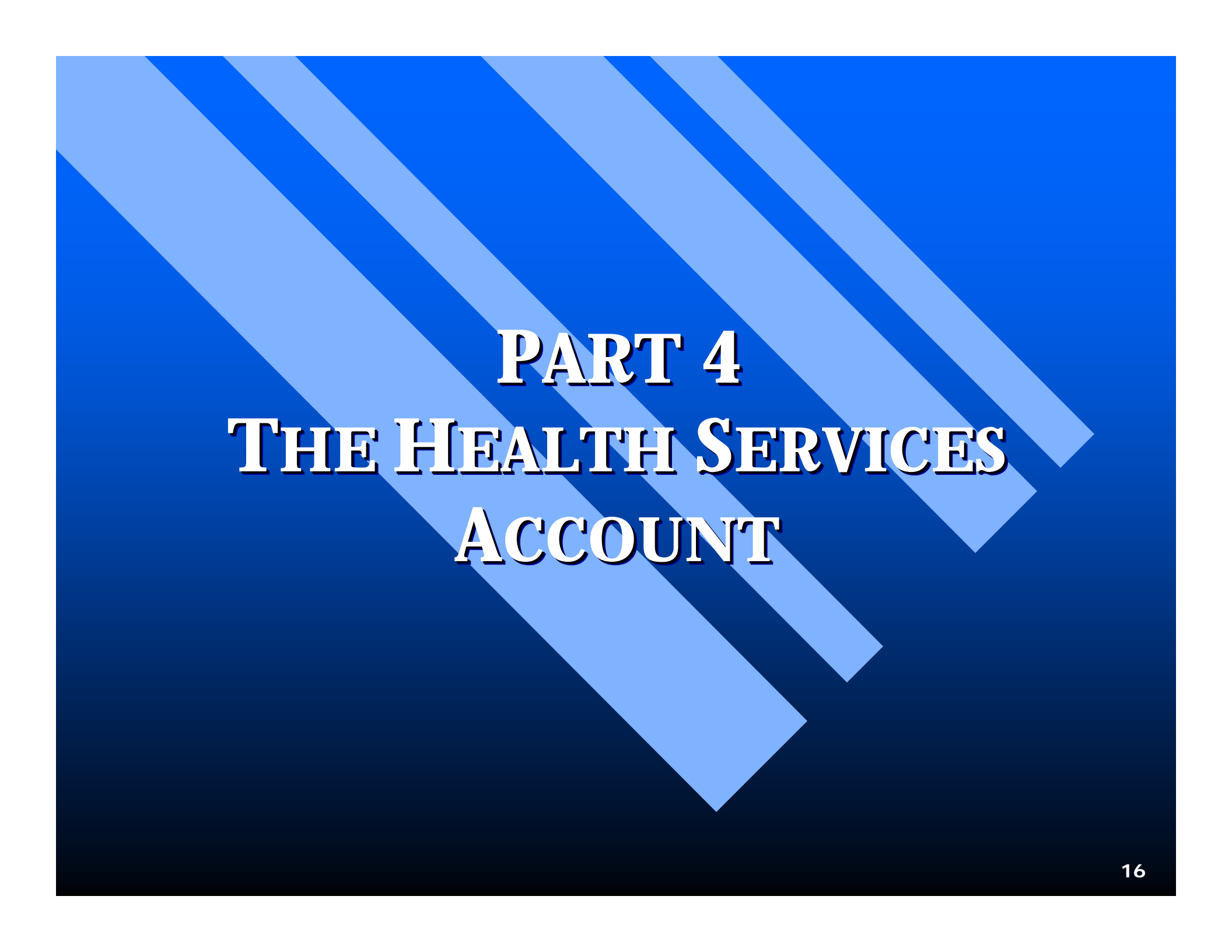


# Two Customary General Fund Policy Items would Add Another \$640 Million to the 2003-05 Budget Problem



# The 2003-05 Budget Problem Grows to \$1.8 Billion if the Legislature Enacts a Current Services Budget And Adopts Customary Policy Adds



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# **PART 4**

# **THE HEALTH SERVICES**

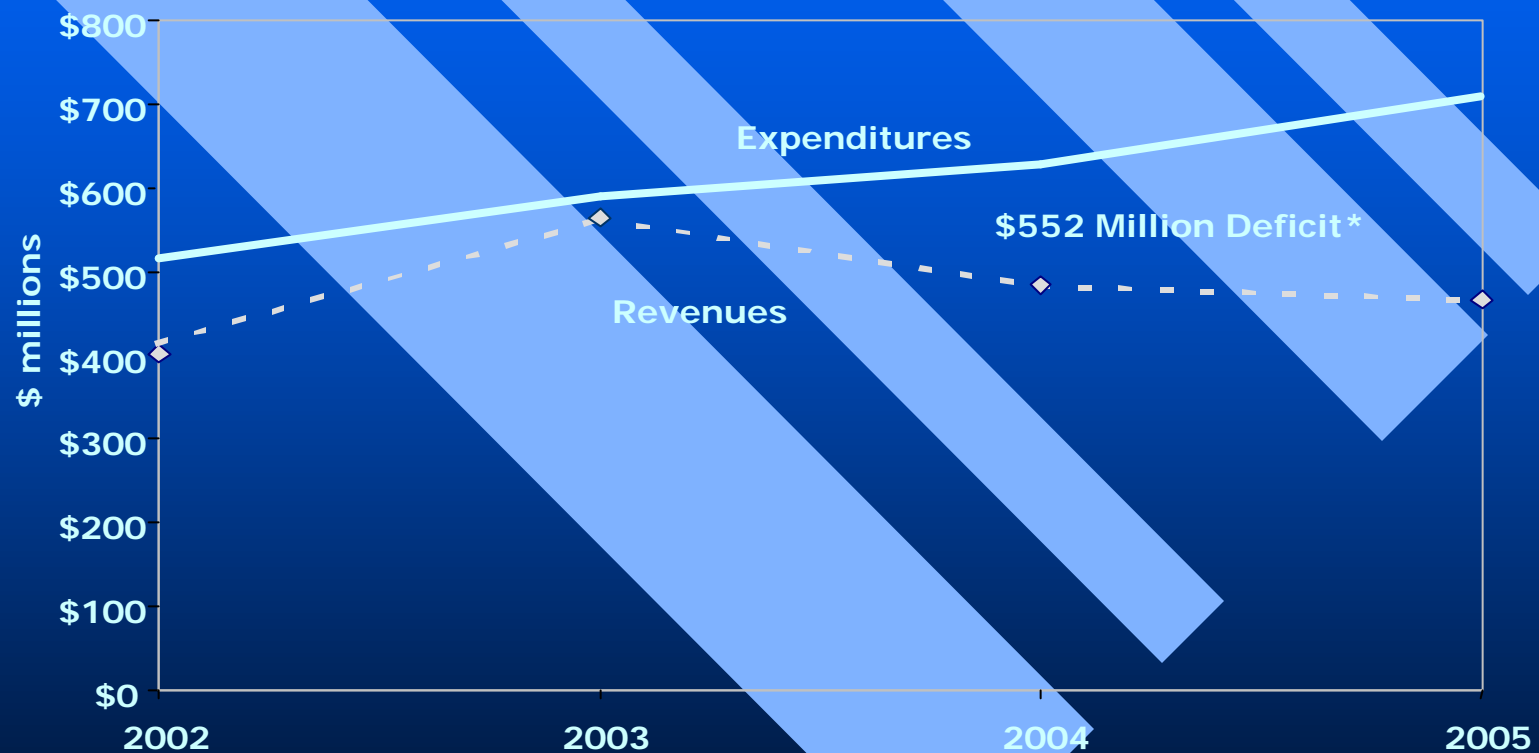
# **ACCOUNT**



# The Health Services Account is a Dedicated Fund that was Created in 1993

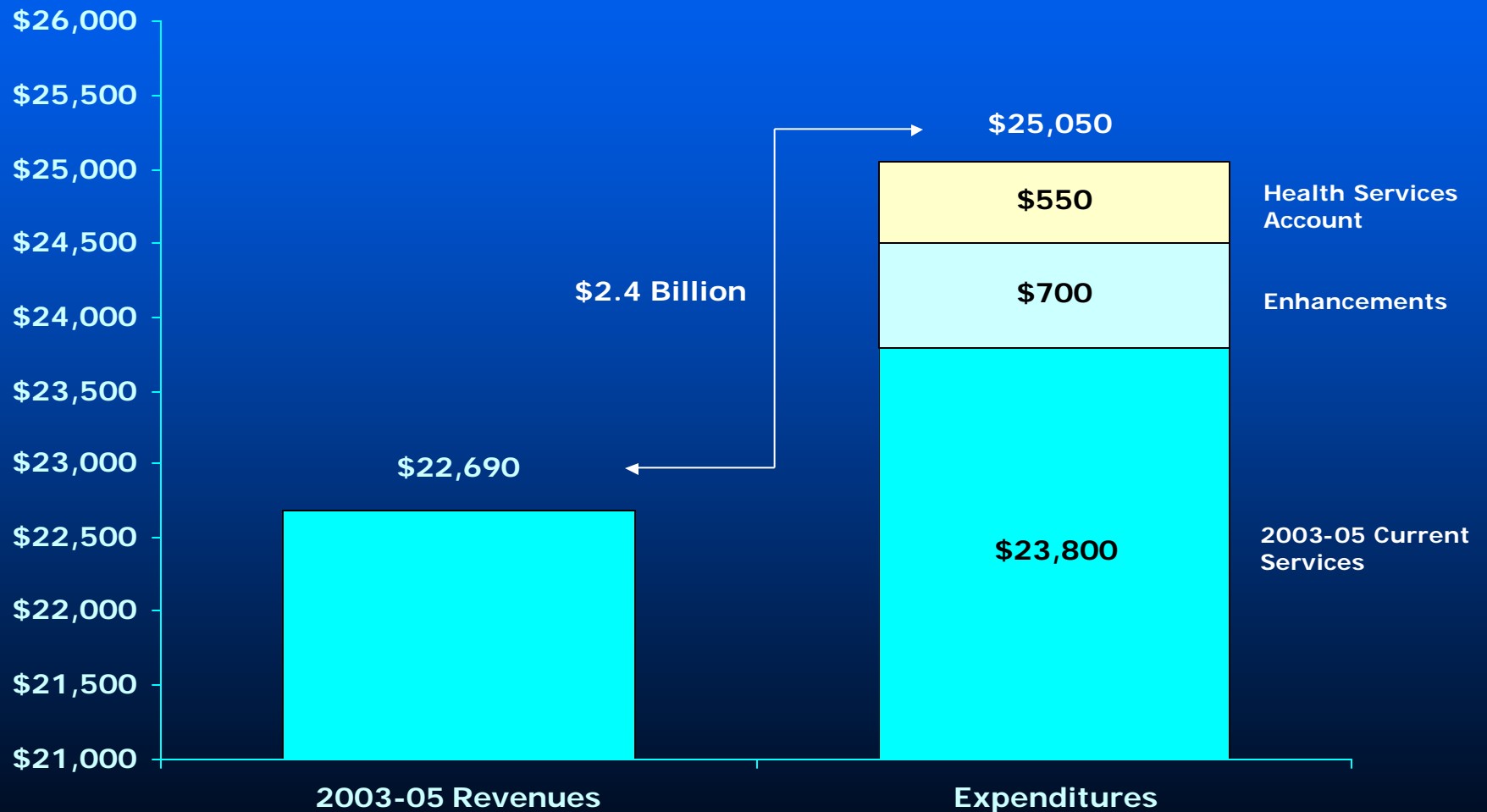
- 125,000 Basic Health Plan enrollments.
- Medicaid coverage for 350,000 children with family incomes below 250% of poverty.
- Childhood vaccines.
- Assistance to county public health departments.

# The Health Services Account has a Large Deficit



*\*Includes -\$19.3 million beginning balance*

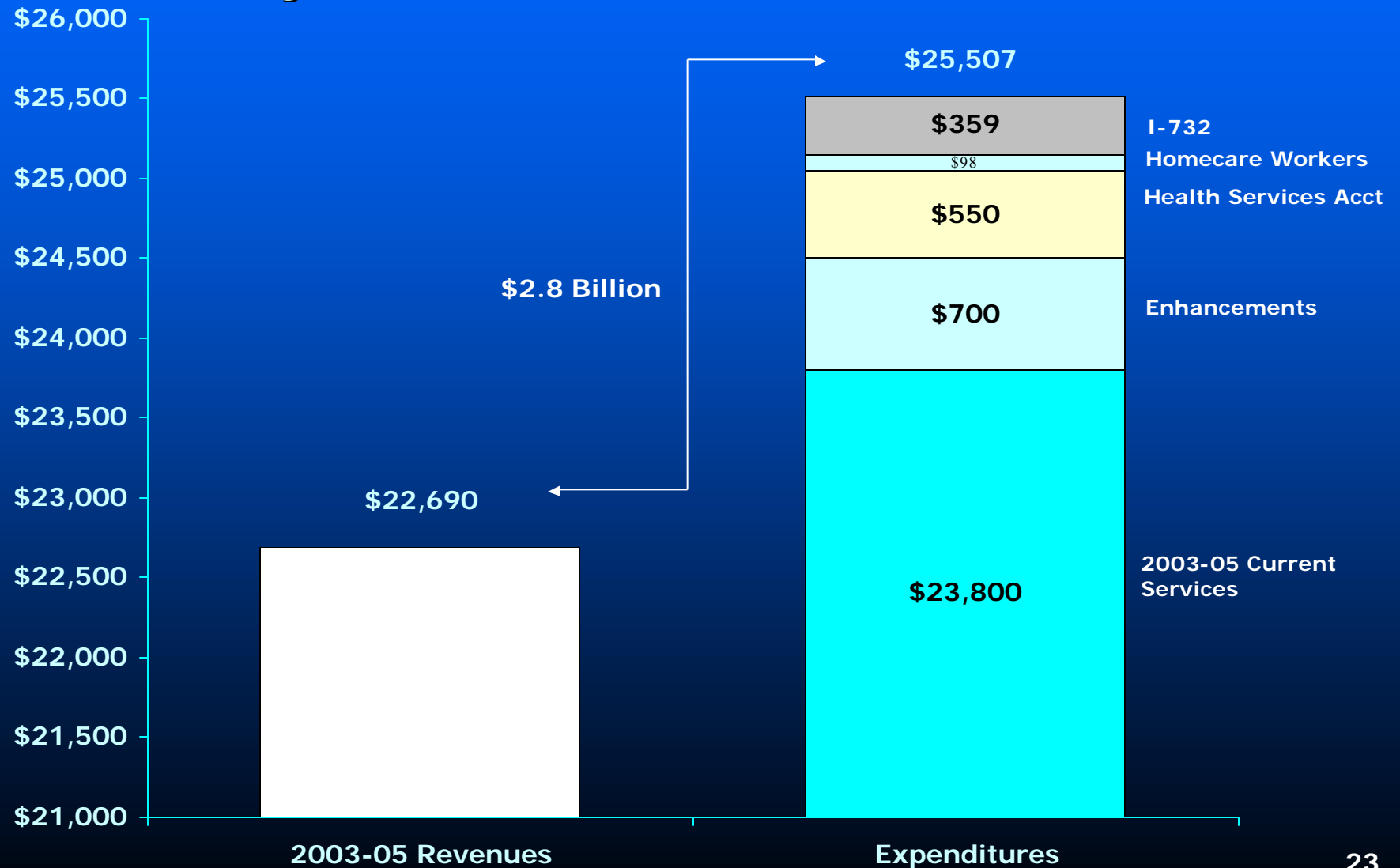
# The 2003-05 Budget Problem Grows to \$2.4 Billion if the Legislature Enacts a Current Services Budget And Fixes the Health Services Account Deficit



# General Fund Budget Deficit

- The Governor's Budget does not reflect the cost of two significant items that could increase the size of the budget deficit by an additional \$457 million.
- Increased cost of I-732 COLA resulting from a recent Supreme Court decision -- \$359 million
- Homecare worker collective bargaining agreement -- \$98 million

# The Governor's Budget Does Not Reflect the Cost of Two Significant Items That Could Increase the Overall Size of the General Fund Budget Deficit by an Additional \$457 Million

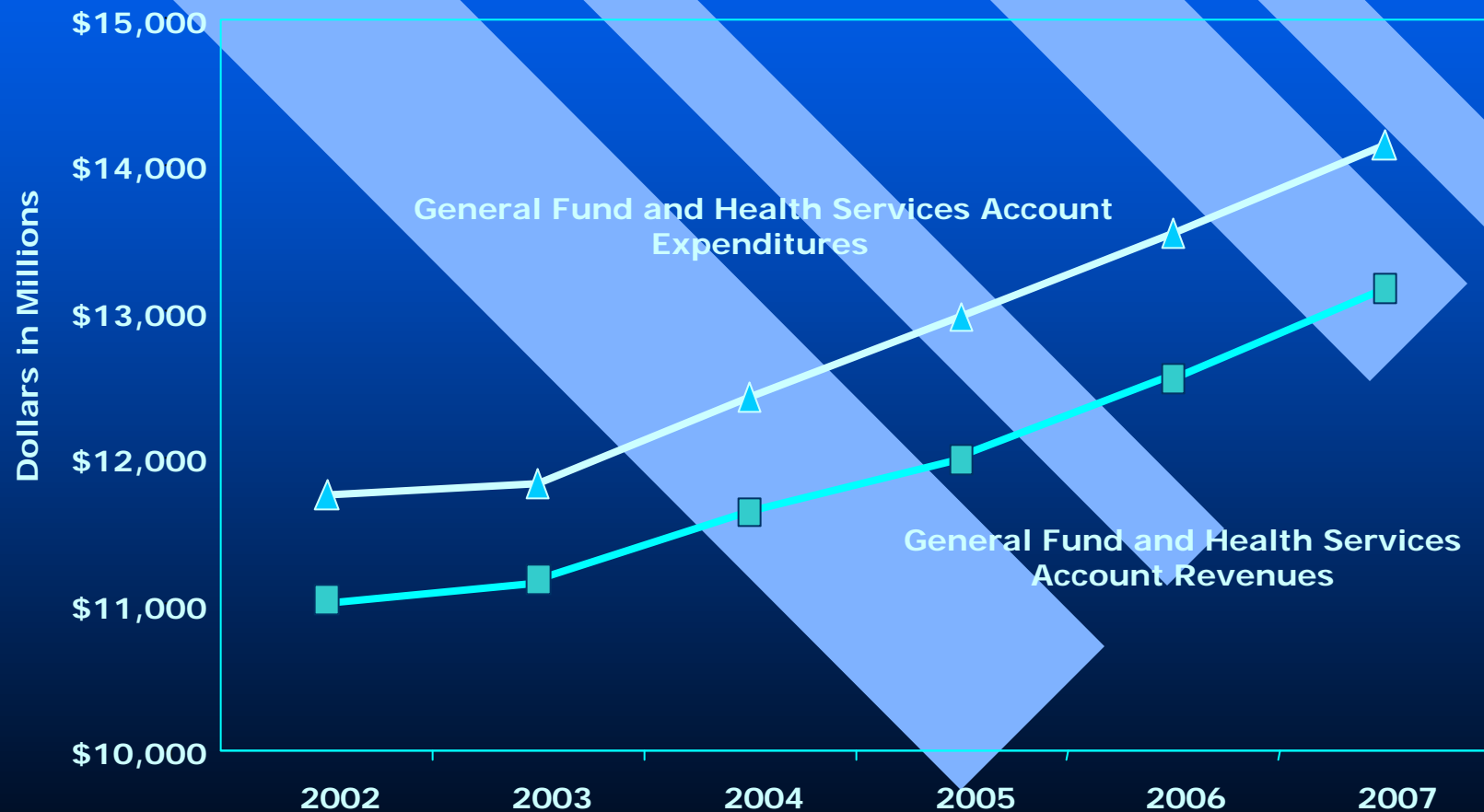




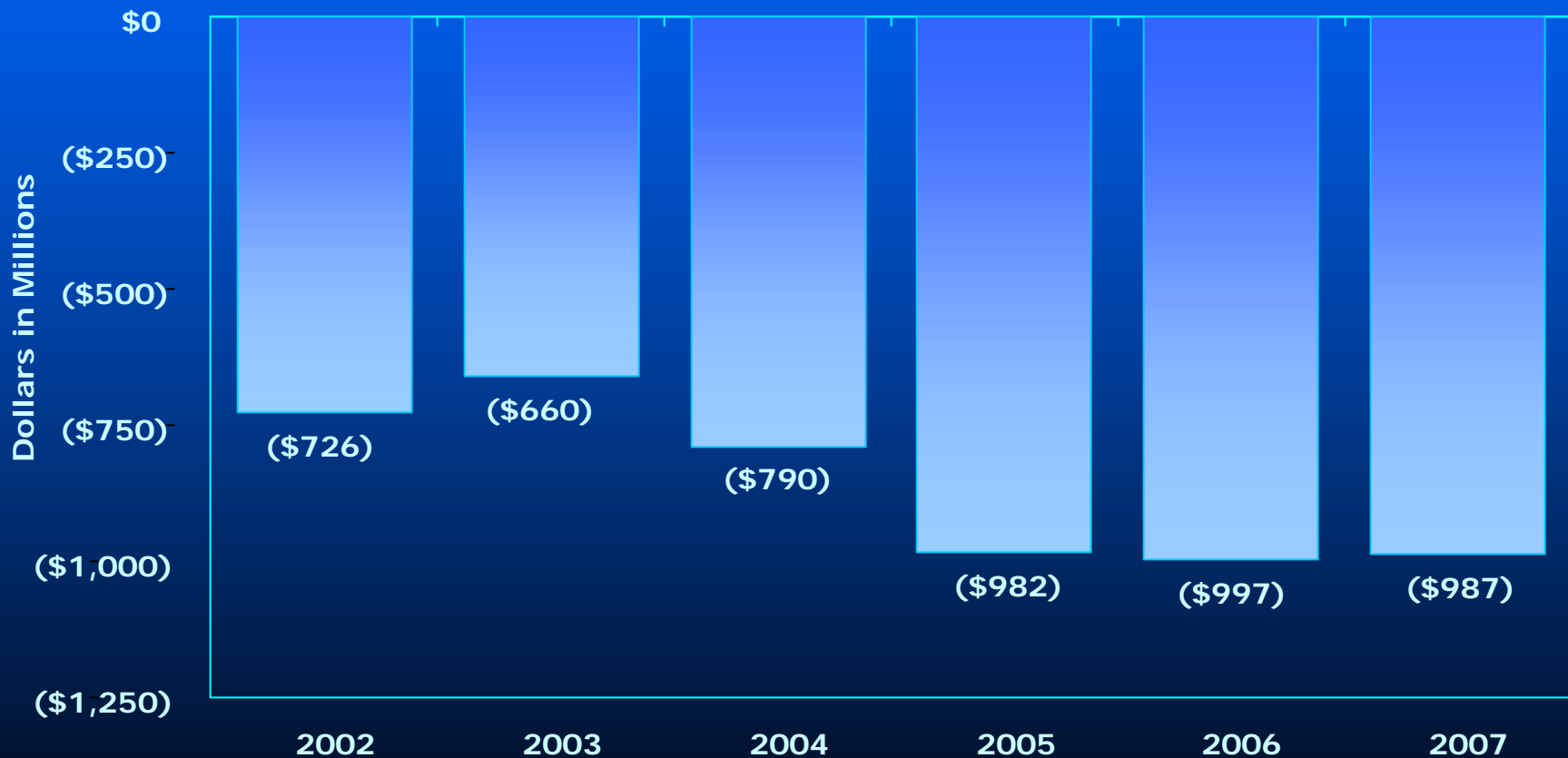
# **PART 5**

## **SUMMARY**

# General Fund & Health Services Account Expenditures are Expected to Exceed Available Revenues for Several Years



# This Situation is Referred to as a "Structural Budget Deficit"





# What Can to be Done to Close this Structural Budget Deficit?

- Eliminate or greatly reduce state programs and services.
- Adopt ongoing increases in revenue.
- Some combination of the above.